

United States Senate

WASHINGTON, DC 20510-3005

July 30, 2018

The Honorable Joseph J. Simons
Chairman
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

Dear Chairman Simons:

I write to bring your attention to the issue of predatory pet leasing. I urge you to investigate this practice and use your full authority to ensure consumers have the information necessary to properly evaluate pet leasing contracts.

When an aspiring pet owner does not have the ability to pay full purchase price to take home the animal of their choice, some pet stores and online sellers offer third party lease agreements to consumers. These lease agreements appear to be the result of business relationships between pet sellers and third party financing companies. Consumers who sign pet leasing contracts welcome a pet into their family under the impression they own their new faithful companion, however, in reality, the animal is owned by the third party company and the consumer is only leasing their pet for a limited term specified in a leasing contract.

These closed-end leases outline fixed installment payments over a specified term, and when the term ends the consumer may be forced to relinquish his or her pet. Once the consumer signs the lease contract, they make one initial payment and agree to pay fixed monthly payments plus a monthly depreciation charge.¹ Should consumers choose to purchase their pet outright, they can do so either during the lease, thereby triggering an early buy-out charge, or at the end of the term by making a balloon payment. Taken together, at the contract's termination, the monthly payments and fees can amount to twice the list price of the pet.² Given this unorthodox financing practice, I have serious concerns that pet stores and online sellers are not adequately explaining the terms to which consumers are agreeing to when they enter into such contracts.

There are numerous information gaps affiliated with the leasing of pets, including pet sellers' failure to clarify: (1) the true ownership of the pet; (2) the total cost to purchase the pet; (3) fees associated with leasing the pet; (4) consumer's financial and legal responsibilities related to the pet (e.g. veterinary costs if pet is ill, gets lost, or harms someone); and (5) consequences of default on monthly payments (the possibility that the pet may be repossessed). Additionally, I

¹ Mary Esch, *Please don't repossess Fido: New York Lawmakers looks into banning leasing*, USA Today, May 16, 2018, at <https://www.usatoday.com/story/money/2018/05/16/repossess-fido-lawmakers-look-ban-pet-leasing/615348002/>.

² Patrick Clark, *I'm Renting a Dog?*, Bloomberg, March 1, 2017, at <https://www.bloomberg.com/news/features/2017-03-01/i-m-renting-a-dog>

am concerned about whether pet leasing contracts include anti-consumer forced arbitration clauses. Ultimately, the pet sellers—either in-store or online—and the third party leasing companies are failing to fully disclose to prospective pet owners the type of contract they are entering into and the true cost of the transaction.

To ensure consumers are equipped with the information necessary to evaluate the costs and risks of leasing a pet, I urge you to consider the full suite of your authority, including your authorities under the Consumer Leasing Act, to address this issue. I look forward to your response.

Sincerely,



Robert Menendez